



State of Utah

Department of
Natural Resources

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Division of
Oil, Gas & Mining

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July 28, 2004

Mr. Gregory Hahn
SUMMO USA Corporation
1776 Lincoln Street, Suite 900
Denver, Colorado 80203

Subject: Approvals for July 2004 Exploration Drilling Proposal and Crusher
Equipment Lay-Down Proposal, SUMMO USA, Lisbon Valley Project,
M/037/088, San Juan County, Utah

Dear Mr. Hahn:

The Division of Oil, Gas and Mining has reviewed two proposals you recently submitted. One of these is for a lay-down area for a crusher and the other is to drill 25 new exploration holes, 17 on BLM-controlled land and 8 on private land. The proposal for the crusher area is approved contingent on receipt of a \$26,000 reclamation bond and a revised reclamation contract.

The Division approves the exploration drilling proposal subject to the following conditions:

1. Bonding. The bond amount you proposed is adequate for actual reclamation, but it needs to be increased for supervision (10 percent), a contingency (10 percent), and to escalate it for inflation (five years at 2.59 percent/year). The total, therefore, is \$43,698.
2. Water wells. In approving this project, the Division will apply some of the bond money currently designated for reclamation of previously-approved-but-not-yet-drilled water wells toward the current exploration drilling proposal. Until additional exploration drill holes have been plugged and this money can be applied back toward water well reclamation, the reclamation costs for additional water wells drilled cannot exceed the "money not needed for existing and potentially imminent disturbances" as shown on the attached table. This amount is currently \$46,023.

The reclamation contract also needs to be revised to include the exploration areas.

You have requested that money now held for reclamation of other sites be applied toward the reclamation bond for this project. The Division currently holds a bond which totals \$136,300. Of this, \$97,073 is for reclamation of water supply and monitoring wells which were proposed in 1999 and 2000. The balance, \$39,227, is for reclamation of

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exploration drill sites drilled and proposed to be drilled in 2004 in the Centennial Pit and near the GTO Pit.

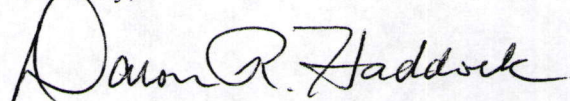
Allocation of the bond money is becoming complicated, so the Division has prepared a table showing how much bond money is currently designated for reclamation of the various sites, how much money is needed for disturbances that actually exist and that are expected to be imminent, and the difference between these two figures. As you can see from this table, most of the money being presently held for reclamation of the water wells has not been used.

Since no money was submitted for the holes being drilled in the Centennial Pit, there is a deficit in that row. And because no money has been submitted for this current proposal, there is a deficit of the full bond amount in that row. These two projects reduce the money available from the \$136,300 bond to \$46,023.

What this means is that there is adequate money for your current project to proceed, but there is only enough money for you to drill about half the water wells approved in 1999 and 2000. For this reason, before you drill more water wells, it will be necessary to calculate how much it would cost to reclaim these wells to be sure the amount of \$46,023 is not exceeded. The reclamation costs for each individual well were included in the original proposals, and the Division escalated those figures to 2005 dollars.

I hope this letter and the table are clear, but please don't hesitate to call me at 801-538-5325 or Paul Baker at 801-538-5261 if you have questions. We appreciate your cooperation and your diligence in plugging and reclaiming exploration holes as they have been drilled.

Sincerely,



Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:PBB:jb
Attachment: Bonding Summary Table
cc: BLM, Moab FO
Will Stokes, SITLA
O:\M037-SanJuan\M0370088-LisbonValley-Summo\Final\appltr-07262004.doc

Bonding Summary for SUMMO USA
As of July 22, 2004

Column 1	2	3	4	5
Project Description	Dollars Currently Allocated to Project	Comments	Money needed for reclamation of existing and potentially imminent disturbances	Money not needed for existing and potentially imminent disturbances (Column 2 less Column 4)
Water Wells proposed July 14, 2000, and approved September 1, 2000	\$27,173	3 of 14 wells drilled (C-1, S-5, and a well to replace G-3)	\$5710 (escalated to 2005 dollars)	\$21,463
Water Wells proposed January 4, 1999, and approved about March 8, 1999	\$69,900	No wells actually drilled	\$0.00	\$69,900
March 4, 2004 proposal for 29 holes in the Centennial Pit	\$28,777	13 holes currently drilled, 11 or 12 (assume 11) plugged	\$32,519 (This figure includes release of plugging requirements for 11 holes) (No escalation factor or contingency applied)	(\$3742)
September 26, 2003, proposal for 25 holes near the GTO Pit	\$10,450 (\$1650 released for plugging 11 holes)	All holes that are going to be drilled have been drilled and plugged except one that was completed as a well (G-3 replacement)	\$8350 (This figure includes release of plugging requirements for all holes) (No escalation factor or contingency applied)	\$2100
Column Subtotal	\$136,300		\$46,579	\$89,721
July 1, 2004, proposal for 25 holes	\$0.00	No additional bond being proposed.	\$43,698 (Contingency and supervision applied; escalated to 2009 dollars)	(\$43,698)
Crusher Lay-Down	\$26,000	Bond not yet submitted	\$26,000 (Contingency and supervision applied; escalated to 2009 dollars)	\$0.00
Column Totals	\$162,300		\$116,277	\$46,023